



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Peter Jensen

SUBJECT: CITY HALL CUSTODIAL SERVICE **DATE:** May 9, 2007

Approved	/s/	Date	05/09/07
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This memorandum provides information and analysis regarding the possibility of using in-house staff for custodial services during the night shift at City Hall. The memo presents options for phasing in the change as a way to spread the cost impacts over more than one year.

Staff does not recommend going forward with a conversion to in-house services, and the 2007-2008 Proposed Operating Budget does not contain an investment proposal related to this issue. Any proposal that includes additional in-house services requires additional ongoing costs without a change in service level. The Council has identified one of its five 3-year goals for the budget as the elimination of the General Fund structural deficit, and a conversion to in-house services would add to that deficit.

BACKGROUND

During the Council budget study sessions for the 2006-2007 Operating Budget, the Administration was directed to analyze the possibility of converting custodial services on the night shift from being provided through contractual services to in-house staffing, to discuss possible options for accomplishing this with Municipal Employees Federation (MEF)/AFSCME 101, and to report to Council on the results of those discussions during the 2007-2008 budget process.

This memorandum provides a number of different methods that could be used to make this change. As part of the analysis of City Hall custodial services, staff undertook a larger effort to study the way that custodial services are delivered citywide. This study reviewed in-sourcing and contracted services and considered the possibilities of in-sourcing all custodial services citywide, as well as comparing San José's custodial service delivery methods to those of other major California cities. While it was concluded that a continued mix between contractual and in-house services was the best approach for the City, the analysis of citywide service models was helpful in developing several implementation options for a potential conversion to in-house custodial staff for nighttime service at City Hall. Throughout this study process, General Services engaged representatives from MEF/AFSCME for input.

General Services currently employs eight custodians to provide daytime custodial services (including three positions that were added in the 2006-2007 Adopted Operating Budget). These eight staff members provide light cleaning, restocking, and custodial call response services. The bulk of the heavy cleaning custodial services are programmed and completed at night while the building is vacant. This allows for the work to be done with minimal disturbance to the day-to-day operations of the facility.

ANALYSIS

In reviewing citywide custodial service models in other cities, no particular pattern was discovered. San Francisco has a roughly even split between in-house and contractual, Oakland is 100% in-house, and San Diego is 100% contractual.

Our study also examined industry standards for staffing levels on a per-square-foot basis. These standards have been used to estimate the in-house staffing complement that would be needed to provide night shift services, as well as providing supervision for the custodial positions to be added. A cost comparison of in-house costs and contractual costs is shown below (costs are rounded off, and shown in 2007 dollars):

Service Delivery	Staffing	Cost
Contract	Nighttime Full Service	\$635,000
In-House	21 custodians, 4 senior custodians, 2 custodial supervisors	\$1,829,000
Net Cost		\$1,194,000

The contract for City Hall custodial service is a performance based contract where the City pays for specific service standards set in the contract, rather than the number of hours the contractor works. Because of this, the staffing levels at City Hall fluctuate. This contract method encourages the contractor to work as efficiently as possible in order to maximize their profit while ensuring that the City's service standards are met. In turn, the City saves money through competition and benefits from any cleaning efficiencies the contractor is able to implement.

In order to spread the impact of the nearly \$1.2 million cost of this conversion over more than one year, a phase-in approach has been analyzed. A number of options have been considered and discussed with MEF/AFSCME. For operational and other reasons, staff believes the two-phase option presented below is the most feasible. An alternative option suggested by MEF/AFSCME is also presented in the Policy Alternatives section of this memo.

For the purpose of custodial services, City Hall is best divided into two sectors, the Tower and the Wing/Rotunda. Both plans presented in this memo rely on this division. In the plan presented below, the Wing/Rotunda services would be brought in-house in the first phase, with the Tower services continuing to be provided through a contractor before being brought in-house in a subsequent fiscal year. These phases may be implemented in consecutive years, although either a longer or shorter interval between implementations could also be considered.

Staffing and costs for the two-phase plan are presented below:

Chart 1 – 2-Phase Approach to In-Source Nighttime Custodial Services at City Hall

Phase	Cust. Supvr.	Senior Cust.	Custodian	Total Staff	In-House Cost	Contractual Cost	Net Cost (ongoing)
1	1	2	10	13	\$883,000	(\$317,500)	\$565,500
2	1	2	11	14	\$946,000	(\$317,500)	\$628,500
Totals	2	4	21	27	\$1,829,000	(\$635,000)	\$1,194,000

Note - This chart does not address any future increases in personal service costs

Conclusion

This approach to moving to in-house staffing for nighttime custodial services at City Hall defers some of the costs to later years. It is not recommended, however, because there is still a net cost without an increase in service levels. This net cost would contribute to an increase in the General Fund structural deficit, while the Council has identified one of its five 3-year goals for the budget as the elimination of that deficit. Until the deficit can be reduced or eliminated, staff cannot recommend going forward.

In future years, staff's consideration of whether to bring forward any proposal for conversion of nighttime custodial services at City Hall will include:

- The status of the City's General Fund budget;
- An analysis of the service level improvements that could be achieved in Citywide custodial services by adding a similar amount of funding; and
- An analysis of the service level improvements that could be achieved in the City's facilities management services by adding a similar amount of funding.

POLICY ALTERNATIVES

An alternative implementation option was suggested by MEF/AFSCME. This option also divides City Hall into two sectors, but in the first year of each of the two phases, temporary unclassified (Temp U) positions would be used. As a result, each phase would require two years to process, as shown in Chart 2 below. In the first year of each phase, Temp U custodians, along with permanent Senior Custodians and Custodial Supervisors for the supervisory structure, would be added. The second year of each phase would then convert the temporary unclassified custodians to permanent custodial positions. Under this approach, the City would evaluate converting the Temp U positions to permanent positions after at a later date as part of a subsequent budget process.

Thus Chart 2 on the following page presents Year A as the beginning of phase 1, with the following year designated as Year A+1, and Year B as the beginning of Phase 2, with the following year shown as Year B+1. Each phase operates independent of one another and as a result can be implemented at any time, just as in the two-phase option described above.

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Chart 2 – Phasing Plan Using Temp U Positions for Nighttime Custodial Services at City Hall

Phase	Year	# Staff	Employ. Status	Cost
Phase 1	Year A	10 custodians	Temp U	\$328,000
		3 supervision staff	Permanent	\$251,000
		Contractual	Contract	(\$317,500)
		Year A Net Cost		\$261,500
	Year A+1	10 custodians	Temp U → Perm	\$304,000
		Year A+1 Net Cost		\$304,000
Phase 2	Year B	11 custodians	Temp U	\$360,000
		3 supervision staff	Permanent	\$251,000
		Contractual	Contract	(\$317,500)
		Year B Net Cost		\$293,500
	Year B+1	11 custodians	Temp U → Perm	\$335,000
		Year B+1 Net Cost		\$335,000
Total Ongoing		27 positions	Permanent	\$1,194,000

Note - This chart does not address any future increases in personal service costs

This option defers the costs over a longer period of time than the two-phase option, lessening the budget impact in any particular year on a one-time basis. However, it is not staff's preferred option, because temporary unbenefitted status for the first year would make it more difficult to recruit candidates, and would leave new employees in a lower status for a year (without access to civil service rights, City rates of pay, benefits, or seniority in class), even though they would be doing the same duties as full-time permanent staff.

COORDINATION

This MBA has been coordinated with Office of Employee Relations. Representatives from MEF/AFSCME were included in discussions of the analysis and different options, and their suggestions have been included as a policy alternative.

/s/
PETER JENSEN
Director of General Services